Congress of the United States
Washington, DC 20515

July 16, 2008

President George W. Bush
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Bush:

We are increasingly concerned about the impact of increased market speculation on the rising price of crude oil. As of July 14, 2008, the average price of gasoline in the United States reached $4.164 per gallon, a $1.073 increase in one year. This is nearly double the price per gallon over the last three years.

Recent Congressional hearings have revealed speculators are holding the vast majority of oil futures contracts at the New York Mercantile Exchange (NYMEX). As of April 2008, speculators had increased their share of oil futures contracts to over 70 percent, almost double the amount held in 2000. Acting Commodity Futures Trading Commission (CFTC) chairman Walter Lukken has also acknowledged that commodity trading has grown six-fold in volume since 2000. For the first time, the CFTC has organized an interagency task force to investigate these markets.

Since 2000, energy commodities have been traded on exchanges exempt from the regulation and oversight of the CFTC. The increased positions of institutional investors, such as sovereign funds, pension funds and endowments, in the energy futures market since this time is undoubtedly contributing to the escalating price of oil at the alarming rate we are experiencing today.

Rising prices are indicative of the United States' need to affirm its commitment to renewable energy research and development, and focus on reducing our demand for oil by emphasizing conservation. In addition, however, we believe increased speculation is artificially driving up the cost of crude oil quicker than the normal forces of supply and demand would dictate.

In light of these compelling market factors, we introduced H.Res. 1289, urging you to direct the Commodity Futures Trading Commission to work with the United Kingdom Financial Services Authority (FSA) to establish position limits on oil futures traded by traders on the Intercontinental Exchange (ICE) similar to those established by the CFTC for traders on the NYMEX.

U.S. investors who trade commodities on many overseas markets, such as ICE, are also largely unregulated. Unlike many U.S. traders, there are no position limits overseas, which allows investors to buy as much oil as they can afford and artificially drives up demand.

We also urge you to direct the CFTC to require institutional investors to abide by position limits already established for the greater crude oil trading community and recommend institutional investors disclose their positions.

Finally, we ask that you direct the CFTC to investigate the manipulation we believe is occurring in the energy futures market. It is essential to work with the FSA in London that we have accurate information on how many contracts these investors hold so that we can address the impact that speculation has on oil prices. Transparency in the oil futures market is needed and appropriate.

Sincerely,

Christopher Shays
Member of Congress

Ed Perlmutter
Member of Congress